

**WAVERLY TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN**

Financial Statements  
For the Year Ended  
March 31, 2006

**Prepared By:**  
Richard E. Mahlmeister, C.P.A., P.C.  
580 South Nicolet, P.O.Box 996  
Mackinaw City, MI 49701

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Waverly Township	County Cheboygan
Fiscal Year End March 31, 2006	Opinion Date September 7, 2006	Date Audit Report Submitted to State September 22, 2006	

We affirm that:

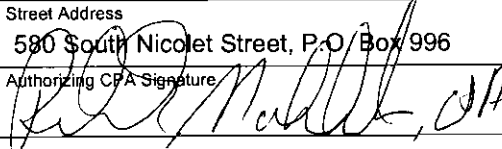
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☐ ☒ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Richard E. Mahlmeister, CPA, PC		Telephone Number 231-436-5223	
Street Address 590 South Nicolet Street, P.O. Box 996		City Mackinaw City	State MI
Zip 49701		License Number 17351	
Authorizing CPA Signature 		Printed Name Richard E. Mahlmeister, CPA	

***WAVERLY TOWNSHIP***

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INDEPENDENT AUDITOR'S REPORT

September 7, 2006

Township Board  
Waverly Township  
Cheboygan County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **Waverly Township, Cheboygan County, Michigan**, as of and for the year ended March 31, 2006, which collectively comprise **Waverly Township's** basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Waverly Township's** management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of **Waverly Township, Cheboygan County, Michigan**, as of March 31, 2006, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of March 31, 2006.

The Township has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required, to be a part of the basic financial statements.

The budgetary comparison information on pages 17 through 19, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

A handwritten signature in black ink, reading "Richard E. Mahlmeister, C.P.A." in a cursive script.

Richard E. Mahlmeister, C.P.A.

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**WAVERLY TOWNSHIP  
STATEMENT OF NET ASSETS  
MARCH 31, 2006**

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
Cash and cash equivalents	\$124,234
Investments	54,517
Receivables:	
Property taxes	93
Due from other governmental units	5,367
Capital assets (Net of Accumulated Depreciation)	<u>71,637</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$255,848</u></b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>	
<b>LIABILITIES:</b>	
Accrued payroll taxes	\$553
Due to other governmental units	<u>714</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,267</u></b>
 <b>NET ASSETS:</b>	
Invested in capital assets	71,637
Unrestricted	<u>182,944</u>
<b>TOTAL NET ASSETS</b>	<b><u>254,581</u></b>
 <b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	 <b><u>\$255,848</u></b>

The accompanying notes are an integral part of these financial statements.



**WAVERLY TOWNSHIP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2006**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary government</b>			
<b>Governmental activities</b>			
Legislative	\$5,338	\$ -	\$ -
General government	42,261	1,987	-
Public safety	35,340	-	-
Public works	32,235	1,695	-
Other	2,991	-	-
Unallocated depreciation	4,253	-	-
<b>Total governmental activities</b>	<b>122,418</b>	<b>3,682</b>	<b>-</b>

General Revenues  
Property taxes  
State-shared revenues  
Unrestricted interest income  
Other

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

The accompanying notes are an integral part of these financial statements.

		Net (Expense) Revenue and Changes in Net Assets Governmental Activities
Capital Grants and Contributions		TOTAL
	\$ -	(\$5,338)
	-	(40,274)
	-	(35,340)
	-	(30,540)
	-	(2,991)
	-	(4,253)
	-	(118,736)
		61,364
		55,715
		2,866
		834
		120,779
		2,043
		252,538
		\$254,581

## **FUND FINANCIAL STATEMENTS**

**WAVERLY TOWNSHIP**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**MARCH 31, 2006**

ASSETS	GENERAL FUND	FIRE FUND	NON-MAJOR FUND	TOTAL GOVERNMENTAL FUNDS
			LIQUOR LAW ENFORCEMENT FUND	
Cash and cash equivalents	\$94,235	\$27,036	\$2,802	\$124,073
Investments	54,517	-	-	54,517
Taxes receivable	53	40	-	93
Due from other governmental units	5,367	-	-	5,367
Due from tax collection fund	161	-	-	161
<b>TOTAL ASSETS</b>	<b>\$154,333</b>	<b>\$27,076</b>	<b>\$2,802</b>	<b>\$184,211</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due to other governmental units	\$616	\$98	\$ -	\$714
Accrued payroll taxes payable	553	-	-	553
<b>TOTAL LIABILITIES</b>	<b>1,169</b>	<b>98</b>	<b>-</b>	<b>1,267</b>
<b>FUND BALANCES</b>				
Unreserved, undesignated	153,164	26,978	2,802	182,944
<b>TOTAL FUND BALANCES</b>	<b>153,164</b>	<b>26,978</b>	<b>2,802</b>	<b>182,944</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$154,333</b>	<b>\$27,076</b>	<b>\$2,802</b>	<b>\$184,211</b>

The accompanying notes are an integral part of these financial statements.

**WAVERLY TOWNSHIP  
BALANCE SHEET - GOVERNMENTAL FUNDS  
MARCH 31, 2006**

Reconciliation of fund balances on the balance sheets for governmental activities  
to the statement of net assets

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$182,944
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported in the funds.

Add: capital assets	150,385
Subtract: accumulated depreciation	<u>(78,748)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$254,581</u>
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The accompanying notes are an integral part of these financial statements.

**WAVERLY TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

	GENERAL FUND	FIRE FUND	NON-MAJOR FUND LIQUOR LAW ENFORCEMENT FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>				
Taxes	\$35,276	\$26,088	\$ -	\$61,364
State shared revenues	53,762	-	1,953	55,715
Charges for services	3,682	-	-	3,682
Interest	2,764	102	-	2,866
Other revenue	834	-	-	834
<b>TOTAL REVENUES</b>	<b>96,318</b>	<b>26,190</b>	<b>1,953</b>	<b>124,461</b>
<b>EXPENDITURES</b>				
Current:				
Legislative	5,338	-	-	5,338
General government	42,261	-	-	42,261
Public safety	5,203	28,200	1,937	35,340
Public works	32,235	-	-	32,235
Other functions	2,991	-	-	2,991
<b>TOTAL EXPENDITURES</b>	<b>88,028</b>	<b>28,200</b>	<b>1,937</b>	<b>118,165</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>8,290</b>	<b>(2,010)</b>	<b>16</b>	<b>6,296</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>144,874</b>	<b>28,988</b>	<b>2,786</b>	<b>176,648</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$153,164</b>	<b>\$26,978</b>	<b>\$2,802</b>	<b>\$182,944</b>

The accompanying notes are an integral part of these financial statements.

**WAVERLY TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

Reconciliation of statement of revenues, expenditures and changes in fund balances of  
governmental funds to statement of activities

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$6,296

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, those costs  
are allocated over their useful lives as annual depreciation expense in the statement  
of activities.

Add: capital outlay capitalized during the current year

-

Subtract: depreciation expense

(4,253)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$2,043

The accompanying notes are an integral part of these financial statements.

**WAVERLY TOWNSHIP  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
MARCH 31, 2006**

<b>ASSETS</b>		<b><u>AGENCY FUND</u></b>
<b>Cash</b>		<b><u>\$161</u></b>
<b>LIABILITIES</b>		
<b>Due to other funds</b>		<b><u>161</u></b>
<b><u>NET ASSETS</u></b>		
<b>Fiduciary Net Assets</b>		<b><u>\$ -</u></b>

The accompanying notes are an integral part of these financial statements.



## **WAVERLY TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Waverly Township, Cheboygan County, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

Waverly Township adopted the governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements – Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 38, *Certain Financial Statement Note Disclosures* and applied those standards as of April 1, 2004. Under the provisions of GASB Statements Nos. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus. Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989.

#### **THE REPORTING ENTITY**

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

#### **Joint Operations**

See Note 8 for information describing related organizations not included in the Township's reporting entity.

#### **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

##### ***Government-Wide Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

## **WAVERLY TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### ***Government-Wide Financial Statements (Continued)***

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.

##### ***Fund Financial Statements***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of major funds.

#### **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

## ***WAVERLY TOWNSHIP***

### ***NOTES TO FINANCIAL STATEMENTS***

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)** **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, state shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be available when cash is received by the government.

#### **FUND TYPES AND MAJOR FUNDS**

##### ***Governmental Funds***

The Township reports the following major funds:

**General Fund** - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

**Fire Fund** - The Special Revenue - Fire Fund is used to account for expenditures related to contracted, township provided, fire service. Financing is provided primarily by a special property tax levy.

The Township reports the following special revenue - nonmajor fund:

**Liquor Law Enforcement Fund** - The Liquor Fund accounts for liquor license fees refunded by the State and utilization for enforcement of the State's liquor laws.

##### ***Fiduciary Funds***

**Trust and Agency Fund** - The Tax Collection Fund is used to account for property taxes collected for the Township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

#### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

## **WAVERLY TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **INVESTMENTS**

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

##### **INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All receivables are reported at their gross values. Interfund transfers reflect the use of unrestricted revenues collected in the General Fund used to finance programs accounted for in other funds in accordance with budgetary provisions.

##### **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### **COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS**

There is no accumulated vacation, sick leave or post-employment benefits to be recognized.

##### **CAPITAL ASSETS**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are generally defined by the government as assets with an initial individual cost of \$400 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Because the Township is considered a phase 3 government for GASB 34 implementation requirements, the Township is not required to report infrastructure retrospectively. Any future infrastructure additions will be capitalized, if any.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	15 – 40 years
Machinery and equipment	5 – 10 years

## **WAVERLY TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures. The Township has no long-term obligations as of March 31, 2006.

##### **FUND EQUITY**

Reserved fund balances for governmental funds indicates that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

##### **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. Budgeted amounts are as originally adopted, or as amended by the Township Board.
5. Appropriations expire at the end of the fiscal year.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

**WAVERLY TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year the Township incurred expenditures which exceeded the amount appropriated as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<b>GENERAL</b>			
Elections	\$ -	\$ 671	\$ 671
Board of Review	\$ 570	\$ 786	\$ 216
Clerk	\$ 9,576	\$ 9,953	\$ 377
Treasurer	\$ 8,213	\$ 9,076	\$ 863
Township property	\$ 5,272	\$ 5,320	\$ 48
Sanitation	\$18,741	\$18,818	\$ 77

**NOTE 3: PROPERTY TAX**

Property tax revenues for the year ended March 31, 2006, reflected in the accompanying financial statements include property taxes levied December 31, 2005. These taxes are due by February 15, 2006, and are added to the County tax rolls after February 28, 2006. The Township will receive 100% payment for the delinquent tax by June, 2006.

The taxable value of the Township totaled \$28,858,281, on which ad valorem taxes consisted of .9659 mills for the Township's operating purposes and .9881 mills for fire protection, raising \$25,708 for operating purposes and \$26,088 for fire protection.

**NOTE 4: CASH AND CASH EQUIVALENTS**

The caption on the statements of net assets relating to cash and cash equivalents and investments represent deposits in varying amounts as follows:

Cash and cash equivalents	\$124,234
Investments (certificate of deposit)	54,517
	<hr/>
	\$178,751

(Continued)

**WAVERLY TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4: CASH AND CASH EQUIVALENTS (CONTINUED)**

The Township uses a common bank account. The equity of each fund in the common account is as follows:

General Fund	\$1,554
Special Revenue – Fire Fund	-
Special Revenue – Liquor Law Enforcement Fund	<u>2,802</u>
	<u>\$4,356</u>

Custodial Credit Risk – Deposits

At year-end the carrying amounts of cash and cash equivalents were classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$100,131	\$200,000
Uninsured – uncollateralized	<u>78,620</u>	<u>61,068</u>
	<u>\$178,751</u>	<u>\$261,068</u>

All accounts are in the name of the Township. They are recorded in Township records at cost. Interest is recorded when deposits mature or is credited to the applicable account. The Township may experience significant fluctuations in deposit balances through the year.

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township's deposits and investment policy are in accordance with statutory authority.

**WAVERLY TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: INTERFUND BALANCES AND TRANSFERS**

The composition of interfund receivables and payables for the year ended March 31, 2006 are as follows:

<b>Fund</b>	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
General	\$161	\$ -
Tax Collection	-	161
Total	\$161	\$161

There were no interfund transfers during the fiscal year.

**NOTE 6: CAPITAL ASSETS**

Capital asset activity of the governmental activities for the current year was as follows:

	<b>Balance April 1, 2005</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance March 31, 2006</b>
<u>Not being depreciated:</u>				
Land	\$12,865	\$ -	\$ -	\$12,865
<u>Being Depreciated:</u>				
Building and Improvements	131,398	-	-	131,398
Machinery and Equipment	20,856	-	(14,734)	6,122
Subtotal	165,119	-	(14,734)	150,385
Less accumulated depreciation	(89,229)	(4,253)	14,734	(78,748)
Total	\$75,890	(\$4,253)	\$ -	\$71,637

Depreciation was charged to the Township's functions as follows:

Unallocated	<u>\$4,253</u>
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**NOTE 7: PENSION PLAN**

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes 12.0% of employees' gross earnings. In accordance with these requirements, the Township contributed \$3,892 during the current year. Contract fees were \$180.



## ***WAVERLY TOWNSHIP***

### ***NOTES TO FINANCIAL STATEMENTS***

#### **NOTE 8: JOINT VENTURES**

The Township, in conjunction with Forest Township, Cheboygan County, has created the Forest-Waverly Township Fire Department to provide fire service to local residents. In accordance with the agreement, the Forest-Waverly Township Fire Department is governed by a four-member board composed of two appointees from each Township. Each Township contributes one-half of the approved budget of the Fire Department on a quarterly basis. For the year ended March 31, 2006, Waverly Township's share of contributions were \$28,200. In accordance with the agreement, net assets and/or equipment will only be distributed upon termination of the agreement. Audited financial statements of the Forest-Waverly Township Fire Department can be obtained by writing the Forest-Waverly Township Fire Department at P.O. Box 26, Tower, MI 49792.

The Township, in conjunction with the City of Onaway, the Hillman Fire and Ambulance Board (serving the Village of Hillman and the townships of Rust and Montmorency; Montmorency County), the townships of Allis, Bearinger, Case, Forest, North Allis, Cheboygan County, and Ocqueoc, Presque Isle County, has created the Onaway Area Ambulance Service (the Service) to provide ambulance service to local residents. In accordance with the agreement, the Service is governed by a board composed of one appointee from each Township. The expenses involved in the overall operation of the ambulance service are split equally between the participating units. For the year ended March 31, 2006, Waverly Township's share of contributions were \$5,203. In accordance with the agreement, net assets and/or equipment will be distributed equally among the participating and only upon termination of the agreement. Audited financial statements of the Service can be obtained by writing the Onaway Area Ambulance Service at P.O. Box 454, Onaway, MI 49765.

#### **NOTE 9: RISK MANAGEMENT**

Waverly Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Township participates in the Michigan Municipal Liability and Property Pool, a public entity risk pool currently operating as a common risk management and insurance program for various municipalities throughout the State of Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**WAVERLY TOWNSHIP  
BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
<b>Taxes:</b>				
Property tax	\$26,827	\$26,827	\$25,708	(\$1,119)
Property taxes - administrative fee	8,686	8,686	9,568	882
<b>Total taxes</b>	<b>35,513</b>	<b>35,513</b>	<b>35,276</b>	<b>(237)</b>
<b>State shared revenues:</b>				
State shared revenues	20,242	20,242	32,261	12,019
State shared revenues-METRO Act	1,705	1,705	1,725	20
Swampland and payment in lieu of tax	19,776	19,776	19,776	-
<b>Total state shared revenues</b>	<b>41,723</b>	<b>41,723</b>	<b>53,762</b>	<b>12,039</b>
<b>Charges for services:</b>				
Cemetery burials and lots	725	725	1,200	475
Transfer station fees	190	190	1,695	1,505
Rentals	650	650	787	137
<b>Total charges for services</b>	<b>1,565</b>	<b>1,565</b>	<b>3,682</b>	<b>2,117</b>
<b>Interest</b>	<b>900</b>	<b>900</b>	<b>2,764</b>	<b>1,864</b>
<b>Other revenue:</b>				
Other	-	-	834	834
<b>Total other revenue</b>	<b>-</b>	<b>-</b>	<b>834</b>	<b>834</b>
<b>TOTAL REVENUES</b>	<b>79,701</b>	<b>79,701</b>	<b>96,318</b>	<b>16,617</b>

**WAVERLY TOWNSHIP  
BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
<b>LEGISLATIVE</b>				
Township board	\$5,500	\$5,236	\$5,338	(\$102)
<b>GENERAL GOVERNMENT</b>				
Supervisor	6,250	6,382	6,304	78
Assessor	6,400	6,812	6,812	-
Elections	-	-	671	(671)
Board of Review	570	570	786	(216)
Clerk	8,954	9,576	9,953	(377)
Treasurer	8,340	8,213	9,076	(863)
Township property	3,600	5,272	5,320	(48)
Cemetery	2,900	3,339	3,339	-
<b>TOTAL GENERAL GOVERNMENT</b>	<b>37,014</b>	<b>40,164</b>	<b>42,261</b>	<b>(2,097)</b>
<b>PUBLIC SAFETY</b>				
Ambulance service	5,203	5,203	5,203	-
<b>PUBLIC WORKS</b>				
Highways and streets	10,681	13,638	13,417	221
Sanitation	17,800	18,741	18,818	(77)
<b>TOTAL PUBLIC WORKS</b>	<b>28,481</b>	<b>32,379</b>	<b>32,235</b>	<b>144</b>
<b>OTHER FUNCTIONS</b>				
Insurance	3,150	2,991	2,991	-
<b>TOTAL EXPENDITURES</b>	<b>79,348</b>	<b>85,973</b>	<b>88,028</b>	<b>(2,055)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>353</b>	<b>(6,272)</b>	<b>8,290</b>	<b>14,562</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>144,874</b>	<b>144,874</b>	<b>144,874</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$145,227</b>	<b>\$138,602</b>	<b>\$153,164</b>	<b>\$14,562</b>

**WAVERLY TOWNSHIP  
BUDGETARY COMPARISON SCHEDULE -  
SPECIAL REVENUE - FIRE FUND  
FOR THE YEAR ENDED MARCH 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Property tax	\$26,827	\$26,827	\$26,088	(\$739)
Interest income	\$65	\$65	102	37
<b>TOTAL REVENUES</b>	<b>26,892</b>	<b>26,892</b>	<b>26,190</b>	<b>(702)</b>
<b>EXPENDITURES:</b>				
Public safety	28,200	28,200	28,200	-
<b>TOTAL EXPENDITURES</b>	<b>28,200</b>	<b>28,200</b>	<b>28,200</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,308)</b>	<b>(1,308)</b>	<b>(2,010)</b>	<b>(702)</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>28,988</b>	<b>28,988</b>	<b>28,988</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$27,680</b>	<b>\$27,680</b>	<b>\$26,978</b>	<b>(\$702)</b>



Member:  
*American Institute of Certified Public Accountants*  
*Michigan Association of Certified Public Accountants*

September 7, 2006

Township Board  
Waverly Township  
Cheboygan County, Michigan

In planning and performing my audit of the financial statements of ***Waverly Township, Cheboygan County, Michigan***, for the year ended March 31, 2006, I considered the Township's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and recommendations regarding those matters. This letter does not affect my report dated September 7, 2006 on the financial statements of ***Waverly Township***.

Thank you for the opportunity to serve ***Waverly Township***. I appreciate the assistance I received from both the Clerk and Treasurer during my audit. Best wishes in the next year.

Sincerely,

A handwritten signature in black ink that reads "Richard E. Mahlmeister, C.P.A." The signature is written in a cursive, flowing style.

Richard E. Mahlmeister, C.P.A.

### **EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2006, the Township incurred expenditures in certain budgetary funds which exceeded the amount appropriated, as shown in the body of the financial statements.

I suggest that the Township Board on a periodic basis, review appropriations as compared to actual expenditures and, prior to incurring additional expenditures, amend the budget as necessary to avoid incurring expenditures in excess of appropriations.

### **CAPITAL ASSETS**

I recommend that the Board review the policy as to which assets should be recorded as a capital asset. The *Government Officer's Finance Association* (GFOA) recommends that assets that have a useful life of at least one-year and a cost of \$5,000 be included as a capital asset. I further would recommend that the Board make this threshold, at least, in the range \$1,000 to \$2,000. Adopting a capitalization policy with these minimums would exclude assets of minimal value and would make the record keeping less cumbersome and would create more useful capital asset information.